EVALUATION OF THE MARKET OPPORTUNITY FOR THE INTERNATIONAL BANKING SYSTEM OFFERED BY VENDOR X





REPORT FOR SUNDATA CORPORATION

EVALUATION OF THE MARKET OPPORTUNITY FOR THE INTERNATIONAL BANKING SYSTEM OFFERED BY VENDOR X

BY
INPUT
SEPTEMBER 19, 1984



			X-1 SUP	QAD 1984
AUTHOR VALUATION TITLE OR THE INT				
DATE LOANED		OWER'S		
	CAT. No. 23-10	8 PRINTE	ED IN U.	S. A.

.

I INTRODUCTION

• At the request of Sundata Corporation, INPUT contacted a group of banks, vendors and consultants who address the international market and sought information about the market for a complete international banking system that would compete with the products offered by BIS, Tymshare (IBIS) or Arbat, but run on an IBM 4300 or larger computer.

Sources consulted:

- 3 banks who are major international lenders
- 2 banks who are secondary international lenders
- 3 vendors
- 2 banking consultants

II INFORMATION GATHERED

- All sources who were consulted did not feel that volume of transactions in CHIPS, SWIFT or some combination of international transfer systems would constitute an adequate method of measuring international business.
- The most effective measure was felt to be the amount of international lending which the bank handled. This is the yardstick that was used to segment banks with international business into groups for the purpose of this study. The exhibits which follow use this approach.
- Exhibit II-I indicates the processing needs of banks in relation to international lending activity and Exhibit II-2 describes the probable development strategy that will be used to meet those needs.



EXHIBIT II-1 NEED FOR INTERNATIONAL BANKING SYSTEMS

Segment of Banks	Total <u>Banks</u>	Processing Needs
o Major lenders - 20 Domestic - 25 Foreign " 5 British " 20 Other European Canadian Far East Near East	. 45	<pre>o Large central system o Remote (Hongkong for a U.S. bank or N.Y. for a foreign bank)* o Edge Act office*</pre>
o Secondary lenders Other domestic and foreign banks	125	 Central system or applications Edge Act office* <pre>(Most will not need processing at their Edge Act Office)</pre>
o Smaller international lenders and loan participants	700 plus	o Applications
	1 d - h	

	,			

EXHIBIT II-2

Segment of Banks

DEVELOPMENT STRATEGIES

Development Alternatives for International Banking

Major Lenders 45 Instit.

For Central Installations

- The largest 10 will develop their own central systems but might buy packages from a vendor to use as building blocks. (Chase used a BIS package as a subsystem.)
- o The next largest 20 might be prospects for central systems
- from BIS, Arbat, IBIS (Tymshare) or vendor X.
 The remaining 15 will be guided by economy in system development and would probably not be candidates for a system from vendor X if it also required acquisition of an IBM 4300 or larger computer.

For Remote Installations

Most major lenders will select economic communication oriented systems for their major remote sites. In-house soft-ware on Tandem and DEC computers has been utilized but BIS software on a Series 1 or software from Arbat or IBIS that ran on a DEC computer has also been sold. The system from vendor X on an IBM 4300 computer would be too costly for most of these targets except for joint installations.

For Edge Act Offices

These offices will be looking for economic solutions except where agreement can be reached on a joint installation. Several banks are now considering such steps.

Secondary Lenders

For Central Installations

The largest 20 of these lenders may consider full application systems such as those offered by BIS, IBIS, or Arbat, but economy will guide their choices. Partial systems or packages will be much more likely to sell in this market segment.

For Edge Act Offices

Some of these lenders will use a shared facility that might afford a full system, but economic smaller minicomputers will be favored.

Smaller Lenders

Will use in-house systems primarily. Some smaller application systems or packages will be sold, but these will be much more economic than the product offered by vendor X.



- On the basis of Exhibit II-2, an estimate was made in Exhibit II-3 of the potential number sales which Vendor X might achieve if all prospects could be sold. The estimate might take two to three years to achieve even if all prospects were signed up since decision making and system installation can be drawn out.
- Exhibit II-4 summarizes the favorable and unfavorable factors in the marketplace for Vendor X.



EXHIBIT II-3 PRELIMINARY ESTIMATE OF SALES PROSPECTS FOR VENDOR X

	Market <u>Segment</u>	Prospect <u>Estimate</u>	Major <u>Competitors</u>
Ó	Major Lender		
	- Central System	20 to 35	BIS*
	- Remote System	20 to 50	IBIS
	- Edge Act	15	Arbat
	(Shared Systems)		Hogan
			Big 8 firms
0	Secondary Lender		
	- Central System	5	Same as above plus
	- Edge Act (Shared Systems)	2	CAP Information Systems, Comtex and many other small vendors
0	Smaller Lenders	0	Numerous vendors
		62 to 107	

^{*} Recognized leader.

Has upgraded capabilities. Will offer a
system on an IBM 4300

T. ESCURIO ASSAULT SO STANISTAN OF

CHI TIBLIUS

Neller Spingt reed

dosce (17)

Townell The Tes

1216

-1-1

156 14

911 9 117

metavi sangan

med as 2 hereal2

A Description of Section 1999 A Description 1

Secondary Laides

214 SEG

racard, nel land

Recogniteu Tasder.

Pages became, EM and The Market Marke

11000

Favorable Factors

- o A sizable percentage of international banks may need to rebuild or replace their international banking systems.
- o System runs on an IBM 4300 or larger IBM system which would be appealing to IS managers.
- o More efficient and complete system.

Unfavorable Factors

- o Would require acquisition of another computer for most potential users. The IBIS system could be installed or an inexpensive DEC system in comparison.
- o Total cost reduces the market potential. Most users want improvement or partial replacement to reduce expenditures.
- o It is necessary to gain a presence in the international market.
- o Although trade is expanding, international lending has not recovered from the downturn of the last few years.



III SUMMARY AND RECOMMENDATIONS

- The market for the product of Vendor X appears limited. A high rate of success with prospects would be necessary.
- The possibilities for success would depend on the need to replace existing international systems in large banks. Several vendors believe that international systems of most banks that are major lenders need upgrading or replacement. If this outlook emerged in large banks, and piecemeal or partial upgrading of systems appeared less desirable, the trade-off between acquiring or developing a system could create an opportunity for Vendor X.
 - BIS, Tymshare (IBIS) and Arbat would not offer a solution that ran on an IBM mainframe at this time.
 - Hogan has bought a company with a system that runs on a mainframe, but it was designed by a bank committee with a parochial set of interests and may not be as efficient or complete as the system of Vendor X.
- The limited set of banks and banking consultants that were contacted did not feel that this was a likely scenario.
- INPUT would recommend that Sundata not proceed with the opportunity described unless a survey is carried out which establishes that a favorable percentage of banks with a large or secondary level of international lending shows a positive attitude toward replacing their international banking applications with a vendor system such as the one offered by Vendor X.



REPORT FOR SUNDATA CORPORATION

EVALUATION OF THE MARKET OPPORTUNITY FOR THE INTERNATIONAL BANKING SYSTEM OFFERED BY VENDOR X

BY INPUT SEPTEMBER 19, 1984





